

MAR 10 2024

FILED

CERTIFICATION

March 10, 2024

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

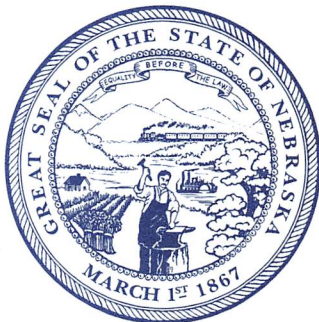
NEBRASKA INTERGOVERNMENTAL RISK MANAGEMENT ASSOCIATION II

AS OF

JUNE 30, 2022

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



A handwritten signature in blue ink, appearing to read "Eric Dunning", is written over a horizontal line.

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

NEBRASKA INTERGOVERNMENTAL RISK MANAGEMENT ASSOCIATION II

8040 EIGER DRIVE

LINCOLN, NE 68516

dated as of June 30, 2022, verified under oath by the examiner-in-charge on February 8, 2024, and received by the company on February 14, 2024, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 29th day of February 2024.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford".

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

NEBRASKA INTERGOVERNMENTAL RISK MANAGEMENT ASSOCIATION II

as of

June 30, 2022

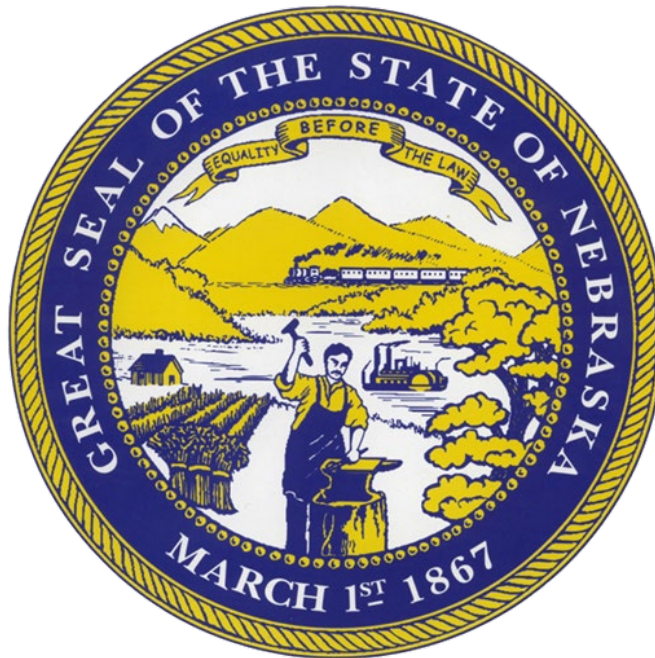


TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
Salutation	1
Introduction.....	1
Scope of Examination.....	1
Description of the Association.....	3
History	3
Management and Control.....	4
Membership	4
Board of Directors.....	4
Officers	6
Committees	6
Transactions with Affiliates.....	7
Administrative Services Agreement	7
Territory and Plan of Operations	8
Excess Insurance.....	9
Body of the Report.....	9
Growth	9
Financial Statements	9
Examination Changes in Financial Statements.....	11
Compliance with Previous Recommendations	12
Commentary on Current Examination Findings.....	12
Summary of Comments and Recommendations.....	12
Acknowledgment	13

Lincoln, Nebraska
January 4, 2024

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

NEBRASKA INTERGOVERNMENTAL RISK MANAGEMENT ASSOCIATION II
8040 Eiger Drive
Lincoln, Nebraska 68516

(hereinafter also referred to as the “Association”) and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Association as of June 30, 2018. The current financial condition examination covers the intervening period to and includes the close of business on June 30, 2022 and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report. A concurrent examination was conducted of the Association’s sister organization, the Nebraska Intergovernmental Risk Management Association (NIRMA), which shares common management.

SCOPE OF EXAMINATION

The Nebraska Department of Insurance conducted this examination pursuant to and in accordance with the provisions of Section §44-4310(2) of the Nebraska Insurance Statutes.

The Nebraska Department of Insurance made a general review of the Association's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Association's history was traced and has been set out in this report under the caption "Description of Association." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Association. The Formation Agreement and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the members, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Association's property and interests were reviewed, as were plans for employee welfare and pension. The Association's Certificate of Authority to conduct the business of insurance in Nebraska was inspected and a survey was made of the Association's general plan of operation.

Data reflecting the Association's growth during the period under review is reflected in the financial section of this report under the caption "Body of Report."

The Association's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Excess Insurance." Accounting records and procedures were tested to the extent deemed necessary through the examination process. The Association's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Association were considered in accordance with the provisions of Section §44-4310(2) of the Nebraska Insurance Statutes. This included a review of workpapers prepared by Thomas, Kunc and Black, LLP, the Association's external auditors, during their audit of the Association's accounts for the examination period. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF THE ASSOCIATION

HISTORY

The Association was organized under the laws of the State of Nebraska pursuant to the Intergovernmental Risk Management Act, Section §44-4301 to §44-4339 of the Nebraska Insurance Statutes. The Association was formed to provide its members with workers' compensation coverage to pool participants. The Association was granted a Certificate of Authority on June 28, 1988 and commenced business as of that date.

The Association's fiscal year was established as July 1st to June 30th, effective with the filing of its June 30, 2008 Annual Statement. The change in fiscal year was in accordance with changes made to the Association's Formation Agreement.

MANAGEMENT AND CONTROL

Membership

Section 9.4 of the Association's Formation Agreement states that, "all public agencies are eligible to make application to the Pool..." Section 9.4(b) states that, "the public agency must enter this agreement by resolution passed by its governing board." Article II, Section 1 of the Association's By-Laws states that, "an annual meeting of all members of the Association is to be set the Board of Directors. The nomination and the election of members of the Board of Directors shall be conducted at the annual meeting."

Board of Directors

The Association's Formation Agreement, Section 9.1 states that, "the Pool shall be operated by a Board of Directors consisting of persons who are elected or appointed officials of public agencies that are signatories hereto. The Board shall consist of eleven (11) persons. A vacancy on the Board shall be filled by a majority vote of the Board. The person appointed to fill a vacancy shall serve for the remainder of the term of the vacating Director. There shall be one nonvoting ex-officio member of the Board of Directors: the Executive Director of the Pool; and such other nonvoting ex-officio members as may be appointed by the Board from time to time. The ex-officio members shall be in addition to the elected members of the Board. Each Board member shall be entitled to one vote in all matters that come before the Board." Section 9.3(b) further states that, "the Board of Directors shall serve staggered terms to promote stability and continuity. All Board Directors shall be elected for a three year term of office."

The Association's By-Laws, Article I, Section 2 states that, "regular meetings of the Board will be held on the date established by the Board and the notice as to time, place, and

agenda shall be provided to Directors at least five days prior to the meeting. Regular meetings of the Board shall be held at least four times a year.”

The following persons were serving as Directors at June 30, 2022:

<u>Name and Residence</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Larry Cerny Geneva, Nebraska	Filmore County Supervisor	2022
Bonnie Moore Papillion, Nebraska	Chief Deputy Sarpy County Attorney	2022
Jim Peterson Eagle, Nebraska	Cass County Commissioner	2022
Ron Schmidt Humphrey, Nebraska	Madison County Commissioner	2022
Jean Andrews Fremont, Nebraska	Dodge County Zoning Administrator	2023
L. Wayne Johnson Clay Center, Nebraska	Clay County Supervisor	2023
Raymond “Buddy” Small Ainsworth, Nebraska	Brown County Commissioner	2023
Erich Tiemann Beatrice, Nebraska	Gage County Supervisor	2023
Kathy Brandt Bridgeport, Nebraska	Morrill County Clerk	2024
Beth Fiegenschuh Sidney, Nebraska	Cheyenne County Clerk	2024
Darrell Zabrocki Seward, Nebraska	Seward County Commissioner	2024

Doris Karloff also serves as the Association’s Ex-officio, non-voting Board Member.

Directors receive \$500 per meeting attended plus mileage and expenses incurred. Directors also receive an additional \$100 per committee meeting. The Board chairperson receives an additional \$500 per year.

Officers

The Association’s By-Laws, Article V, Section 1 states that, “the Board shall choose from among the elected Directors a Chairperson, Vice Chairperson and Secretary/Treasurer.”

The following is a listing of Officers elected and serving the Association at June 30, 2022:

<u>Name and Residence</u>	<u>Office</u>
Larry Cerny	Chairperson
Beth Fiegenschuh	Vice Chairperson
Erich Tiemann	Secretary/Treasurer

Committees

Article III, Section 1 of the Association’s By-Laws states that, “the Board may, by resolution passed by a majority of the whole Board, designate one or more committees. Each such committee shall consist of two or more Directors, elected or appointed officials of participating members and, to the extent provided in the resolution and subject to this agreement and applicable law, shall have and may exercise the powers of the Board in the management of the business and affairs of the Association.”

The following persons were serving on the Finance, Audit and Compliance Committee at June 30, 2022:

Erich Tiemann, Chairperson	Kathy Brandt
L. Wayne Johnson	Jim Peterson
Ron Schmidt	Larry Cerny, ex-officio

The following persons were serving on the Claims Committee at June 30, 2022:

Beth Fiegenschuh, Chairperson
Jim Peterson
Larry Cerny, ex-officio

Bonnie Moore
Buddy Small

The following persons were serving on the Executive Committee at June 30, 2022:

Larry Cerny, Chairperson
Erich Tiemann

Beth Fiegenschuh
Craig Nelson, ex-officio

The following persons were serving on the Loss Prevention and Safety Committee at
June 30, 2022:

Jean Andrews, Chairperson
Ron Schmidt
Darrell Zabrocki

Kathy Brandt
Erich Tiemann
Larry Cerny, ex-officio

The following persons were serving on the Nominating Committee at June 30, 2022:

Bonnie Moore, Chairperson
Beth Fiegenschuh
Larry Cerny, ex-officio

Jean Andrews
Buddy Small

The following persons were serving on the Planning and Governance Committee at June
30, 2022:

Larry Cerny, Chairperson
Beth Fiegenschuh
Erich Tiemann

Jean Andrews
Buddy Small

The following persons were serving on the Policy Coverage and Review Committee at
June 30, 2022:

Buddy Small, Chairperson
Jim Peterson
Darrell Zabrocki

L. Wayne Johnson
Ron Schmidt
Larry Cerny, ex-officio

TRANSACTIONS WITH AFFILIATES

Administrative Services Agreement

Effective January 1, 2004, the Association entered into an administrative service agreement with the Nebraska Risk Management Association, Inc. (NRMA). NRMA is a non-

profit entity that provides administrative services and operational management. Effective March 14, 2008, the renewal date was amended to July 1 each year. Monthly, the Association pays an amount equal to all costs and expenses incurred by NRMA in connection with the performance of its services to the Association, not otherwise directly paid by the Association, including but not limited to its pro rata share of wages, salaries, benefits, taxes, insurance, rent, condominium fees, supplies, utilities, third-party charges, travel expenses, and other amounts required or reasonably incurred in connection with such services. The amount, paid on a pro rata monthly basis, is determined and agreed to annually prior to the beginning of each contract term based on evaluation of those NRMA services, activities, and expenses specifically devoted to the Association in comparison to the balance for any other clients.

The Association's sister company, NIRMA, also has an agreement with NRMA. NIRMA pays all shared expenses related to both the Association and NIRMA and then the Association reimburses NIRMA on a monthly basis for its portion of the expenses. These expenses are allocated evenly unless the expense can be otherwise identified by Association.

TERRITORY AND PLAN OF OPERATIONS

As evidenced by current or continuous Certificates of Authority, the Association is licensed to transact business in the State of Nebraska only. As of June 30, 2022, its membership totaled 83 counties, 6 area aging agencies and 7 other public agencies.

The Association operates to improve county government by continually monitoring its changing duties, evaluating its exposure to provide coverage, maintaining loss prevention programs and providing long term financial arrangements to ensure claim payments and other services for a self-insurance program. Coverage offered to members through the Association consists solely of workers' compensation.

EXCESS INSURANCE

Annually, the Association has obtained excess insurance workers' compensation and employers' liability coverage from Country Reinsurance, Limited (CRL). CRL reinsures \$2,450,000 in excess of the Association's \$550,000 retention each occurrence for workers' compensation and employers' liability.

In addition, the Association has a specific excess of loss agreement with Safety National Casualty Corporation providing coverage in excess of \$3,000,000 up to the maximum statutory limit of indemnity per occurrence as statutorily required for workers' compensation, and up to \$2,500,000 per occurrence for employers' liability.

BODY OF THE REPORT

GROWTH

The following comparative data reflects the growth of the Association during the period covered by this examination:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Long-term investments	\$17,479,602	\$15,700,975	\$16,383,035	\$15,806,545
Cash on deposit	3,897,181	6,687,101	5,934,431	4,461,584
Assets	27,076,110	26,976,874	28,037,507	27,436,054
Loss reserves	4,409,298	4,258,643	4,863,383	4,684,299
Unearned premiums	4,501,232	4,584,808	4,858,799	4,985,812
Total liabilities	9,686,622	9,731,146	10,737,431	10,630,536
Surplus	17,389,488	17,245,728	17,300,076	16,805,518
Net premiums	4,670,417	4,424,975	4,590,399	4,824,649
Net losses	1,913,617	2,602,722	3,357,775	2,693,888
Net income (loss)	1,515,351	518,821	(320,401)	644,345

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying summary of operations, reflects the financial condition of the Association on June

30, 2022 and its transactions during the year 2022 as determined through this examination. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
June 30, 2022

Assets

Short-term investments	\$ 3,319,867
Long-term investments	15,806,546
Common stock	1,233,388
Cash on deposit	4,461,584
Interest accrued	115,799
Premiums receivable	2,492,628
Recoverables on paid claims	2,050
Electronic data processing equipment	<u>4,193</u>
Totals	<u>\$27,436,054</u>

Liabilities, Surplus, and Other Funds

Loss reserves	\$ 4,684,299
Loss adjustment expenses payable	607,542
Unearned premiums	4,985,812
Draft liability	70,656
Other liabilities	<u>282,227</u>
Total liabilities	\$10,630,536
Surplus	<u>16,805,518</u>
Totals	<u>\$27,436,054</u>

STATEMENT OF INCOME – 2022

Revenue

Premiums earned, direct	\$5,441,209
Premiums earned, transferred by excess	<u>(616,560)</u>
Net premiums	\$4,824,649
Investment income	528,488
Other income	<u>95</u>
Total revenues	<u>\$5,353,232</u>
Losses incurred, direct	\$4,763,024
Losses incurred, transferred by excess	<u>(2,069,136)</u>
Net losses	\$2,693,888
Loss expenses incurred	595,918
Other underwriting expenses incurred	<u>1,419,081</u>
Total expenses	<u>\$4,708,887</u>
Net income	<u>\$ 644,345</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, beginning	<u>\$16,174,585</u>	<u>\$17,389,488</u>	<u>\$17,245,728</u>	<u>\$17,300,076</u>
Net income	\$ 1,515,351	\$ 518,821	\$ (320,401)	\$ 644,345
Unrealized capital gain/(loss)	222,531	53,917	1,194,494	(852,179)
Dividends	(500,000)	(500,000)	(750,000)	(500,000)
Change in non-admitted assets	<u>(22,979)</u>	<u>(216,498)</u>	<u>(69,745)</u>	<u>213,276</u>
Surplus, ending	<u>\$17,389,488</u>	<u>\$17,245,728</u>	<u>\$17,300,076</u>	<u>\$16,805,518</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$16,805,518 as reported in the Association's 2022 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Association's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Association to comply with:

Safekeeping Agreement – It is recommended that the Association amend the existing Safekeeping Agreement with Union Bank and Trust Company to include the provisions required by Nebraska Administrative Rules and Regulations Title 210, Chapter 81.

Action: The Company has complied with this recommendation.

Data Recovery –It is recommended that the Association determine its Recovery Point Objective (RPO) for each business unit and establish a process to back up data in compliance with the RPO in a way that can be recovered and viewed in the event of a third party failure.

Action: The Company has complied with this recommendation.

Third Party Provider Review – It is suggested that a review of third party service providers be conducted and documented at least annually. This can be accomplished by a review of a Statement of Operating Controls (SOC) report, or review of external audit reports.

Action: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no findings warranting comment as a result of this examination.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Association during this examination is hereby acknowledged.

In addition to the undersigned, Alexis Anderson and Santosh Ghimire, CFE, Financial Examiners; and Gary Evans, CISA, AES, CFE, Information Systems Specialist; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Skyler Lawyer". The signature is written in a cursive style with a large, prominent initial 'S'.

Skyler Lawyer, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska

State of Nebraska,
County of Lancaster,

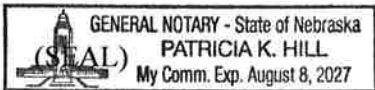
Skyler Lawyer, being duly sworn, states as follows:

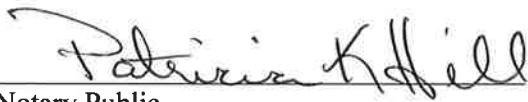
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Nebraska Intergovernmental Risk Management Association II.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Nebraska Intergovernmental Risk Management Association II was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.


Examiner-in-Charge's Signature

Subscribed and sworn before me by Skyler Lawyer on this 8 day of Feb, 2024.




Notary Public

My commission expires 8-8-27 [date].